

Message Text

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TAGS: ITRD, TZ

SUBJ: HARD FIBER MARKET BEHAVIOR--OBSERVATIONS FROM TANZANIA

REF: STATE 171410 (NOTAL), DAR ES SALAAM 2970

1. SUMMARY - OUR OBSERVATIONS, FOLLOWING CONVERSATIONS WITH MANAGERS AND OFFICIALS IN TANZANIA'S SISAL INDUSTRY, ARE AS FOLLOWS: (A) SISAL SHIPMENTS TO EASTERN EUROPE AND CHINA HOLDING STEADY OR INCREASING SLIGHTLY WHILE SHIPMENTS TO NORTH AMERICAN AND WESTERN EUROPE DECLINING; (B) TWIN SHIPMENTS TO JAPAN AND (TO MUCH LESSER EXTENT) AUSTRALIA INCREASING DRAMATICALLY FROM LOW BASE; (C) RAPID EXPANSION OF TANZANIA'S TWINE INDUSTRY, ACHIEVED BY ACQUIRING SECOND-HAND MACHINERY FROM NORTH AMERICAN AND WESTERN EUROPEAN SISAL PROCESSORS, POINTS TO 20,000 TONS OF TWINE SPINNING CAPACITY OUT OF PRODUCTION DURING 1973--A YEAR OF RISING DEMAND; (D) NO EVIDENCE OF TANZANIAN COLLUSION TO FORCE UP PRICES--ON CONTRARY, TANZANIAN PROCESSORS AND INDUSTRY MARKETING EXPERTS APPEAR TO VERY MUCH

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IN DARK REGARDING SHORT-TERM INFLUENCES NOW SHAPING HARD FIBRE MARKET.

2. EMBOFF, WHILE VISITING TANGA, PURSUED POINTS RAISED IN

DEPTEL WITH APPROPRIATE SISAL INDUSTRY OFFICIALS AND MANAGERS. FOLLOWING OBSERVATIONS AND CONCLUSIONS DRAWN FROM VISIT OFFER PARTIAL EXPLANATION OF CURRENT SISAL MARKET BEHAVIOR AND SCARCITY OF HARVEST TWINE.

3. IN REFTTEL WE REPORTED EVIDENCE SUGGESTING SLIGHT INCREASE IN TANZANIAN SISAL EXPORTS GOING TO EASTERN EUROPE AND CHINA. EMBOFF RAISED THIS POINT WITH HEALLY, TANZANIA SISAL AUTHORITY (TSA) MARKETING SECRETARY (AND TAS EXPORT POLICY MAKER). HE REPLIED THAT TANZANIA OBSERVED, IN RECENT YEARS, THAT NORTH AMERICAN AND WESTERN EUROPE WERE DISENGAGING FROM SISAL PROCESSING AND ACTIVELY SEEKING SYNTHETIC SUBSTITUTES. EASTERN EUROPE--PARTICULARLY YUGOSLAVIA AND RUSSIA--HAVE BEEN JUDGED TO BE MARKETS HOLDING BEST GROWTH POTENTIAL FOR TANZANIAN SISAL EXPORTERS AND PROCESSORS THERE APPEAR LESS INCLINED TO SWITCH TO SYNTHETIC FIBRES OVER LONG TERM. THUS TSA IS CONSCIOUSLY FAVORING ORDERS PLACED BY EASTERN EUROPEAN PROCESSORS AND HEALLY ESTIMATES 45,000 TONS (OR MORE) BEING SHIPPED ANNUALLY. CONSEQUENTLY, ACCORDING TO HEALLY, ABOUT ONE-THIRD OF TANZANIAN SISAL EXPORTS GOING TO EASTERN EUROPE AND CHINA WHILE SHIPMENTS TO WESTERN EUROPE AND NORTH AMERICA DECLINING MODESTLY IN VOLUME DURING YEAR WHEN SISAL CROP SMALLER.

4. ONE TWINE MANUFACTURER NOTES THAT PATTERN OF EXPORTS CHANGING. SOMEWHAT MORE PRODUCTION GOING TO AUSTRALIA BUT JAPAN MARKET STARTING FROM SMALL BASE, IS SHOWING FASTEST RATE OF GROWTH FOR HIS PRODUCT. HE UNDERSTANDS JAPANESE FARMERS ARE BAILING MORE OF THEIR HAY HARVEST AND FIND SISAL TWINE BEST BINDER MATERIAL. ILLUSTRATING GROWTH IN JAPANESE MARKET, HE SHOWED THAT BY USING TWO-YEAR OLD JAPANESE IMPORT FIGURES IT WOULD APPEAR HIS COMPANY IS SUPPLYING 50 PERCENT OF MARKET. HE COMMENTED, HOWEVER, THAT THIS PROBABLY FALSE PICTURE--RATHER THAT JAPANESE ARE REACHING FOR MORE FOREIGN TWINE SUPPLIERS TO SUPPLY THEIR GROWING MARKET.

5. TANZANIA'S SISAL INDUSTRY PRESENTLY UNDERGOING RESTRUCTURING. MOST IMPORTANT FACTOR IS GROWTH OF TANZANIA'S TWINE
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MANUFACTURING CAPABILITY. ONE INDUSTRY SOURCE REPORTS ALL FIVE TANZANIAN TWINE MANUFACTURES ARE ADDING CAPACITY. SIGNIFICANT FACTOR IN PLANT EXPANSION IS THAT MACHINERY IS ALL SECOND-HAND AND BEING PURCHASED FROM TWINE MANUFACTURES IN NORTH AMERICA AND EUROPE WHO ARE CEASING OR HAVE CEASED PRODUCTION. ONE MANAGER OF TWINE PLANT ESTIMATES THAT TANZANIAN TWINE MANUFACTURING, WHICH GREW MODESTLY FROM MIDDLE 60'S, SHOULD DOUBLE IN NEXT 1-2 YEARS TO INSTALLED CAPACITY OF 60,000 TONS PLUS. TANZANIA RELYS ALMOST EXCLUSIVELY ON PURCHASES OF SECOND-HAND MACHINERY. THIS MEANS MACHINERY IS OUT OF PRODUCTION FOR APPROXIMATELY ONE CALENDER YEAR AS PLANT IS DISMANTLED, SHIPPED, AND RE-ASSEMBLED IN TANZANIA (WITH FURTHER DELAYS AS BUYER

SEEKS TO REPLACE DAMAGED AND LOST COMPONENTS). FOR EXAMPLE, TANGANYIKA INDUSTRIAL CORPORATION AND TANZANIA ROPE AND TWINE COMPANY ARE DIVIDING TWINE MANUFACTURING MACHINERY PURCHASED LAST WINTER FROM BRANTFORD (ONTARIO) CORDAGE WITH CAPACITY RATED AT 15-18,000 TONS. TWO PLANTS, MAJORITY OWNED BY GERMAN FIRM OF BAUMHUETER, ARE RECEIVING MACHINERY FROM PLANTS IN GERMANY BUT PACE SIGNIFICANTLY SLOWER. CONSEQUENTLY WE ESTIMATE THAT THESE TRANSFERS OF MACHINERY MEAN THAT AT LEAST 20,000 TONS OF TWINE MAKING CAPACITY IS OUT OF PRODUCTION (AND, CONSEQUENTLY, ITS OUTPUT IS NOT AVAILABLE TO MARKET) DURING THIS CROP YEAR. THIS MAY BE IMPORTANT FACTOR REGARDING SCARCITY OF HARVEST TWINE DURING YEAR WHEN DEMAND IS UNUSUALLY HIGH.

6. WE HAVE BEEN UNABLE TO DETECT ANY COLLUSION SUGGESTED IN DEPTTEL. FRANKLY WE BELIEVE IT UNLIKELY AS NEWLY-FORMED TSA (AN ENLARGEMENT OF THE RECENTLY DISBANDED TANZANIAN SISAL MARKETING AUTHORITY) IS JUST BEGINNING TO TAKE HOLD OF ITS NEW RESPONSIBILITIES. FURTHERMORE, TWINE MANUFACTURES FEEL UNSURE OF WORLD PRICES FOR THEIR PRODUCT AND THOSE WHICH ARE NOT SUBSIDIARIES OF WEST EUROPEAN COMPANIES CLAIM THAT FOREIGN BUYERS HAVE UPPER HAND IN PRICING NEGOTIATIONS SINCE LATTER REPORT THAT THEY EXPERIENCE DIFFICULTY IN ESTABLISHING CONSUMER EXCEPTANCE FOR NEW-TO-MARKET TANZANIAN TWINE. FURTHERMORE, TSA CHAIRMAN SHABA, VOLUNTEERED THAT TSA IS COMPLETELY IN DARK AS TO BRAZILIAN PRODUCTION AND HOW BRAZIL'S EXPORTS ARE BEING MARKETED. IT IS INTERESTING TO NOTE IN THIS REGARD THAT SCARCITY OF HARVEST TWINE IS BRINGING US IMPORTERS TO TANGA THIS MONTH--FIRST TIME IN HISTORY OF YOUNG TANZANIAN INDUSTRY--TO DISCUSS FUTURE PURCHASES.

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UM COMMENT: WE APPRECIATE THAT PICTURE WE HAVE DRAWN APPLIES ONLY TO TANZANIA WHICH GROWS ROUGHLY ONE QUARTER OF WORLD SISAL CROP. HOWEVER, OBSERVATIONS WE MAKE MAY BE DUPLICATED IN OTHER SISALGROWING AREAS AND EXPLAIN MORE FULLY MARKET BEHAVIOR QUESTIONS RAISED IN DEPTTEL. WE WOULD APPRECIATE RECEIVING REPLIES TO DEPTTEL AS PROPOSED BY INFO POSTS.

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